C O M P R E H E N S I V E   H O U S I N G   M A R K E T   A N A L Y S I S

Vallejo-Fairfield, California

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of May 1, 2013

PD&R

Housing Market Area

The Vallejo-Fairfield Housing Market Area (HMA), defined as the Vallejo-Fairfield Metropolitan Statistical Area (MSA) and coterminous with Solano County, is located 30 miles northeast of the city of San Francisco and is part of the greater San Francisco Bay Area. Because of the relative affordability of housing in the HMA compared with other San Francisco Bay Area counties, the HMA is a bedroom community. Of HMA residents, 73,372 work outside Solano County (2007–11 American Community Survey 5-year estimates).

Market Details

Summary

Economy

The economy in the Vallejo-Fairfield HMA began to improve in 2012, after 5 years of job losses from 2007 through 2011. Nonfarm payrolls expanded by 2,600 jobs during the 12 months ending April 2013, representing a 2.2-percent increase compared with payrolls during the previous 12-month period. Travis Air Force Base (TAFB) is the largest employer in the HMA, with 10,400 military and civilian employees and an annual economic impact of $1.67 billion during fiscal year (FY) 2012. During the next 3 years, nonfarm payrolls are expected to grow at an average annual rate of 1.9 percent.

Sales Market

The HMA sales housing market is slightly soft, with an estimated vacancy rate of 2 percent, down from 2.5 percent in April 2010. Demand is estimated for 1,975 new homes during the next 3 years (Table 1). The 250 homes currently under construction will likely satisfy a portion of that demand. In addition, the 3,675 other vacant units in the HMA may reenter the market and satisfy some of the demand.

Rental Market

The rental housing market in the HMA is currently slightly soft, with an estimated overall rental vacancy rate of 6.5 percent, down from 7.7 percent in April 2010. The apartment vacancy rate during the first quarter of 2013 was 4.7 percent (Axiometrics, Inc.). During the forecast period, demand is estimated for 210 new market-rate rental units (Table 1). The 60 rental units currently under construction will likely satisfy some of this demand.

Table 1. Housing Demand in the Vallejo-Fairfield HMA, 3-Year Forecast, May 1, 2013, to May 1, 2016

	Vallejo-Fairfield HMA	
	Sales Units	Rental Units
Total demand	1,975	210
Under construction	250	60

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of May 1, 2013. A portion of the estimated 3,675 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

Economic conditions in the Vallejo-Fairfield HMA began to improve in 2012 after 5 years of declines from 2007 through 2011. During the 12 months ending April 2013, nonfarm payrolls in the HMA increased by 2,600 jobs, representing a 2.2-percent increase compared with payrolls during the previous 12 months (Table 2). During the same period, the unemployment rate declined from 11.1 to 9.6 percent. Despite improving economic conditions, nonfarm payrolls in the HMA are approximately 9,500 jobs below the peak level recorded in 2006. Before the recent decline, the unemployment rate increased from 4.9 percent in 2006 to 11.5 percent in 2011 (Figure 1). Nonfarm payrolls declined by an average of 2,475 jobs, or 2 percent, annually from 2007 through 2011. Although almost every sector experienced job losses during this period, declines were greatest in the construction subsector, which lost an average of 960 jobs annually, or 7.6 percent. The recent recovery in the overall economy and the home sales market in the HMA fueled increases in the construction subsector. During the 12 months ending April 2013, the subsector added 400 jobs, a 5.7-percent increase from the previous 12-month period. Notable projects include the Vallejo Station Parking Garage, which provides 750 new parking stalls for the new Bus Transit Center and Ferry Terminal to connect commuters to San Francisco. The first phase of construction, which was completed in October 2012, employed 400 workers in trades and construction support.

Because of the HMA's status as a bedroom community to San Francisco, the wholesale and retail trade and the education and health services sectors are significant contributors to the local economy, accounting for more than 33 percent of all nonfarm payrolls jobs in the HMA (Figure 2). The wholesale and retail trade sector added 600 jobs during the 12 months ending April 2013, a 2.9-percent increase compared with the number of jobs during the previous 12 months. New retail tenants to the Vacaville Premium Outlets® mall were partially responsible for gains in this sector. The outlet mall drew more than 7 million shoppers into the area during 2012 (Solano Economic Development Corporation). The education and health services sector also added

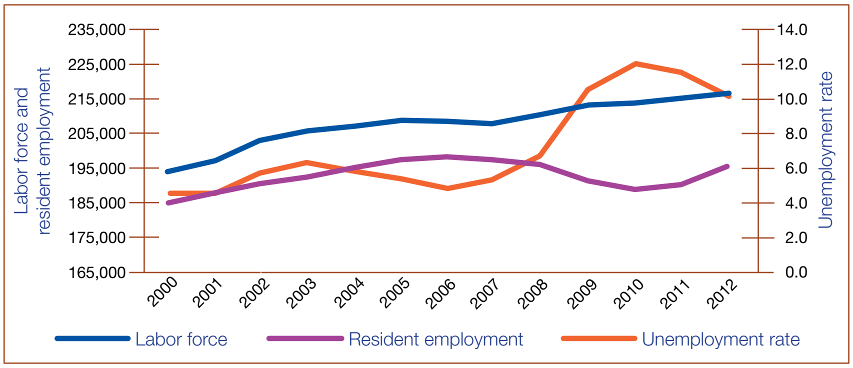
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Vallejo-Fairfield HMA, by Sector

	12 Months Ending April 2012	12 Months Ending April 2013	Absolute Change	Percent Change
Total nonfarm payroll jobs	117,700	120,300	2,600	2.2
Goods-producing sectors	17,700	18,500	800	4.5
Mining, logging, & construction	8,000	8,500	500	6.3
Manufacturing	9,700	10,000	300	3.1
Service-providing sectors	100,000	101,800	1,800	1.8
Wholesale & retail trade	20,600	21,200	600	2.9
Transportation & utilities	4,400	4,800	400	9.1
Information	1,100	1,100	0	0.0
Financial activities	5,000	5,000	0	0.0
Professional & business services	8,800	8,600	– 200	– 2.3
Education & health services	18,900	19,500	600	3.2
Leisure & hospitality	13,300	13,600	300	2.3
Other services	3,700	3,900	200	5.4
Government	24,200	24,000	– 200	– 0.8

Notes: Based on 12-month averages through April 2012 and April 2013. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Vallejo-Fairfield HMA, 2000 Through 2012

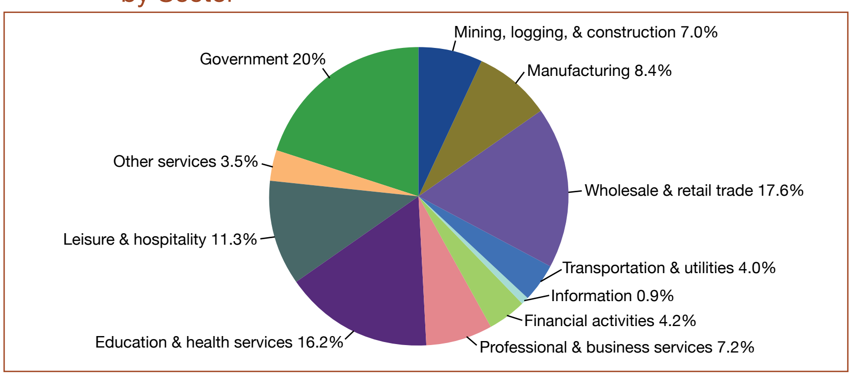


Source: U.S. Bureau of Labor Statistics

600 jobs during the most recent 12 months, representing a 3.2-percent increase. Nearly 90 percent of recent gains in the sector are attributed to job gains in the healthcare subsector. Kaiser Permanente® and NorthBay Healthcare plan to open level III trauma centers, which will require an increase in staffing levels across all departments within both hospitals to meet state requirements for a trauma center designation. NorthBay Healthcare expects to complete its expansion in early 2014, while Kaiser Permanente® is still in the planning stages and currently does not have an anticipated start or completion date. Estimates of permanent job additions to both hospitals are not yet available. The total annual economic impact of the five hospitals in Solano County was estimated at $770 million in 2012 (Hospital Council of Northern and Central California study). Figure 3 shows sector growth in the HMA from 2000 to the current date.

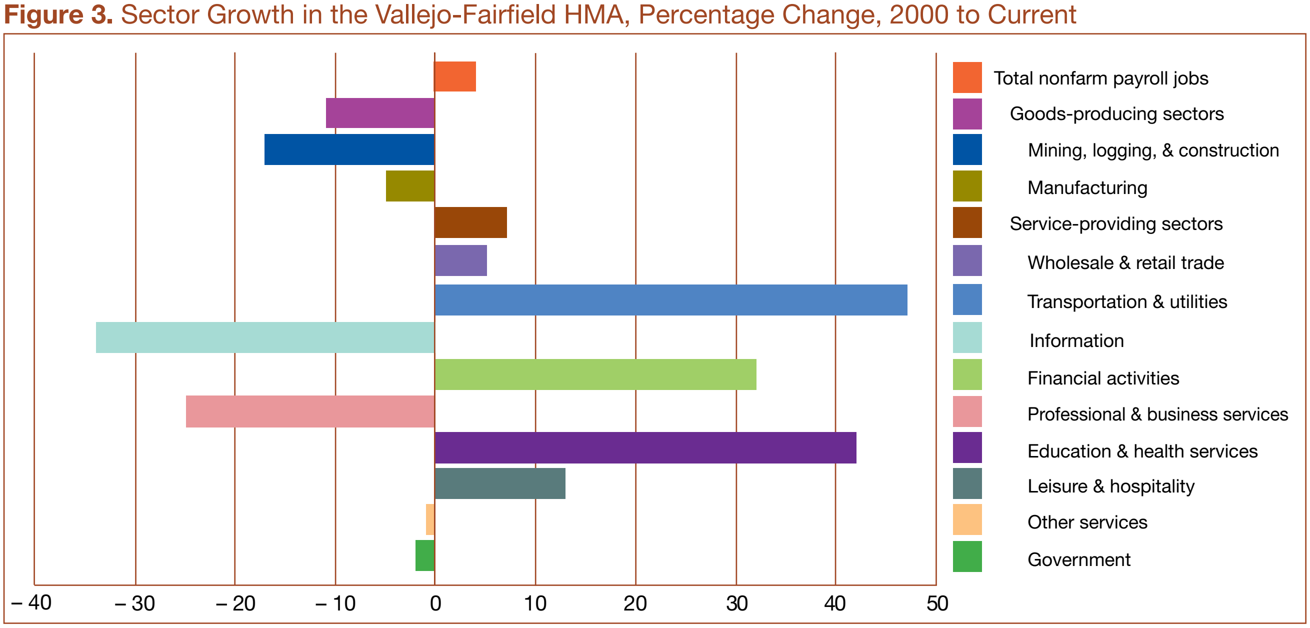
With an average of 24,000 jobs during the 12 months ending April 2013, the government sector is the largest in the HMA, representing about 20 percent of all nonfarm payroll jobs. TAFB is the largest employer in the HMA, with 7,100 military personnel and 3,300 civilian employees (Table 3). About 3,200 reservists are stationed at the base; most do not reside in the HMA and spend only a portion of each year in the HMA. The base had an annual economic impact of $1.67 billion on the local economy (TAFB FY 2012 economic impact study). During the 12 months ending April 2013, the government sector declined

Figure 2. Current Nonfarm Payroll Jobs in the Vallejo-Fairfield HMA, by Sector



Note: Based on 12-month averages through April 2013.
Source: U.S. Bureau of Labor Statistics

Figure 3. Sector Growth in the Vallejo-Fairfield HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through April 2013.
Source: U.S. Bureau of Labor Statistics

by 200 jobs, a 0.8-percent decline, primarily due to government budget constraints.

During the next 3 years, nonfarm payroll growth is expected to remain steady, with an average annual gain of 1.9 percent. The wholesale and retail trade and the education and health services sectors will continue to lead job growth during the forecast period, while government budget constraints may offset some gains.

Table 3. Major Employers in the Vallejo-Fairfield HMA

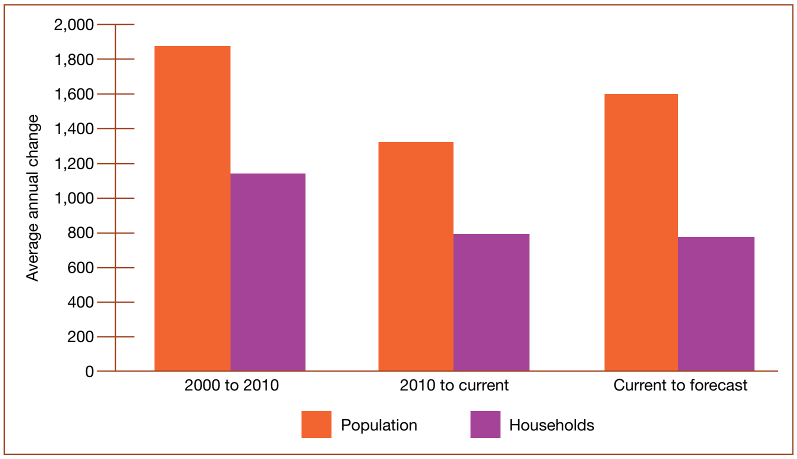
Name of Employer	Nonfarm Payroll Sector	Number of Employees
Travis Air Force Base	Government	10,400
Kaiser Permanente®	Education & health services	5,925
County of Solano	Government	2,850
California Medical Facility	Government	2,200
Six Flags Discovery Kingdom	Leisure & hospitality	1,600
California State Prison, Solano	Government	1,400
NorthBay Medical Center	Education & health services	1,125
Genetech	Education & health services	850
Sutter Solano Medical Center	Education & health services	700
State Compensation Insurance Fund	Government	640

Note: Excludes local school districts.
Source: Solano County Economic Development Corporation

Population and Households

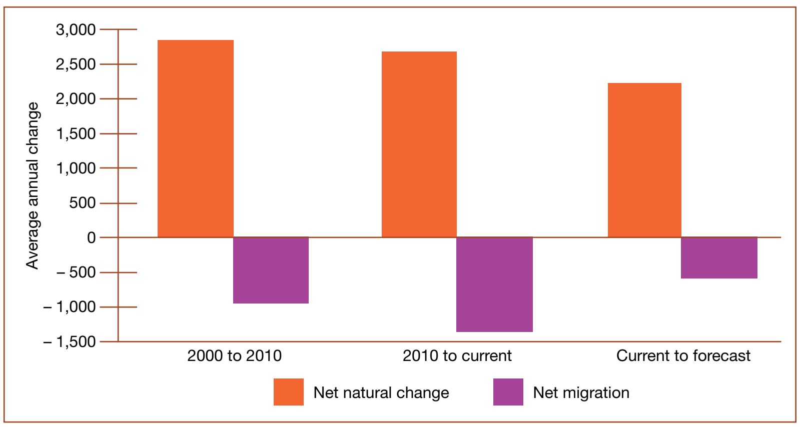
As of May 1, 2013, the population in the Vallejo-Fairfield HMA was estimated at 417,400, reflecting an average annual increase of 1,325, or 0.3 percent, since 2010. By comparison, population growth averaged 3,850 people, or 1 percent, annually from April 2000 through July 2004, as families from surrounding Contra Costa and Alameda Counties migrated into the HMA for affordable housing options. Beginning in 2005, however, rapid home sales price appreciation dampened the HMA's affordability advantage, which resulted in out-migration back to Contra Costa and Alameda Counties, where home sales prices were comparable and commuting to the job center of San Francisco was quicker. Net out-migration averaged 2,600 people annually from 2004 through 2009, resulting in an average population growth of only 220 people annually, or 0.1 percent, during the same period. As the economy of the HMA began to moderate and housing sales prices declined because of a large number of distressed home sales in the HMA, net out-migration declined to an average of 960 annually since 2010, resulting in overall population gains of 1,325, or 0.3 percent, during the same period. During the next 3 years, the population in the HMA is expected to increase by an average of 1,600, or 0.4 percent. Figure 4 shows population and household growth in the HMA and Figure 5 shows the components of population change in the HMA from 2000 through the forecast period.

Figure 4. Population and Household Growth in the Vallejo-Fairfield HMA, 2000 to Forecast



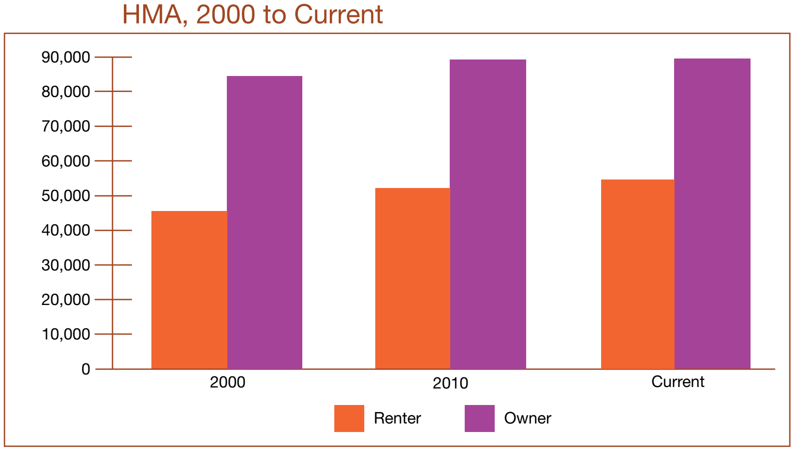
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Vallejo-Fairfield HMA, 2000 to Forecast



Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the Vallejo-Fairfield HMA, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

An estimated 144,200 households currently reside in the HMA, reflecting an average annual increase of 790 households, or 0.6 percent, since April 2010. The current rate of household growth was slower than the average annual increase of 1,125 households, or 0.8 percent, recorded from 2000 through 2010, because of increased net out-migration. The homeownership rate in the HMA declined from 65.2 percent in 2000 to 63.2 percent in 2010 and has currently declined further to 62.2 percent (Table DP-1 at the end of this report). As foreclosure activity in the HMA increased and shifted owners to renters, renter households increased from approximately 45,409 in 2000 to 52,110 in 2010, representing an average growth rate of 15 percent annually. Foreclosure activity has declined steadily since 2010 and, as a result, fewer owner households have shifted to renter households. An estimated 54,550 renter households currently reside in the HMA, representing an average growth rate of 1.5 percent annually since 2010. During the forecast period, household growth is expected to increase by 800 households, or 0.6 percent, annually to 146,600. Figure 6 shows households by tenure in the HMA since 2000.

Sales Market

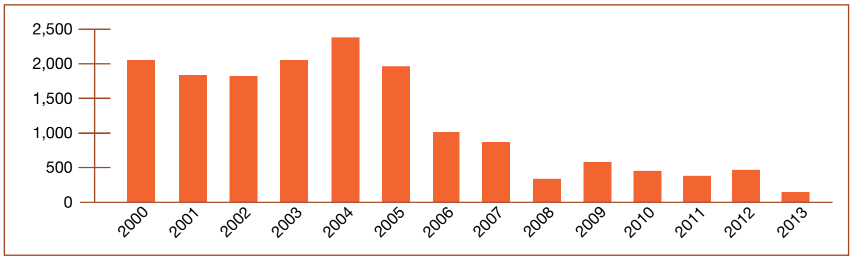
Sales housing market conditions are currently slightly soft but improving in the Vallejo-Fairfield HMA because of an overproduction of units from 2000 through 2006 and high foreclosure activity that followed. The estimated home sales vacancy rate is currently 2 percent, down from 2.5 percent in April 2010. New and existing home sales, including single-family homes, condominiums, and townhomes, declined by 350 homes, or 5 percent, to 6,950 homes sold during the 12 months ending April 2013 (CoreLogic, Inc.). The average home sales price for all home sales increased by 12 percent, to $232,400. The decline in total home sales was the result of declining existing home sales and, in particular, Real Estate Owned (REO) sales; foreclosure activity has been steadily declining in the HMA since 2010. During the 12 months ending April 2013, existing home sales declined by 8 percent, to 6,250 homes, while the average existing home sales price increased by $21,700, or 11 percent, to $220,300. During the same period, REO sales declined by 54 percent, to 1,550 homes sold, while regular resales and short sales increased by 36 and 15 percent, respectively. REO sales, as a percentage of total existing sales, declined to 23 percent compared with 43 percent during the 12 months ending April 2012. The number of new homes sales increased by 25 percent to 690 homes sold during the 12 months ending April 2013, while the average sales price for a new home rose 6 percent, to $330,500.

As a result of increased in-migration, primarily from surrounding Contra Costa and Alameda Counties, total new and existing home sales peaked from 2000 through 2005, when an average of 10,450 homes sold annually. During this period, the new and existing home sales price averaged $324,800, an increase of 16 percent annually. REO home sales were not a significant part of the market from 2000 through 2005 and averaged only 1 percent of total existing home sales annually. As the average new and existing home sales price increased to a peak of $497,800 in 2006, population growth began to slow because of increasing out-migration. From 2006 through 2009, total sales averaged 6,650 homes, representing a decline of 57 percent from the peak of sales from 2000 through 2005. Previous gains in the average home sales price were reversed, as the sales price declined by an average of 24 percent annually from the peak of $497,800 in 2006 to $220,000 in 2009. During this period, REO sales as a percent of total existing home sales increased to an average of 29 percent and peaked in 2008, when 68 percent of all existing sales were REO sales. The home sales market began to recover in 2010, when 7,075 homes sold. From 2010 through 2012, REO sales continued to be a significant part of the existing home sales market, but those sales declined to an average of 40 percent of total existing sales. As of April 2013, 5.5 percent of home loans in the HMA were 90 or more days delinquent, were in foreclosure, or transitioned into REO, down from 9.1 percent in April 2012 (LPS Applied Analytics). By comparison, the foreclosure rate in the HMA peaked in January 2010 at 14.4 percent.

Single-family homebuilding, as measured by the number of homes permitted, recently increased to the highest level recorded since 2009 (preliminary data). During the 12 months ending April 2013, 510 units were permitted compared with 400 during the previous 12-month period. Single-family homebuilding peaked from 2000 through 2007, when an average of 1,750 homes were permitted annually. As household growth slowed, single-family construction declined to an average of 450 units annually from 2008 through 2012. The North Village master-planned community is currently under construction in the city of Vacaville. The Providence neighborhood, one of five planned neighborhoods within the development, completed construction in March 2013 with 64 homes starting at $418,500. Approximately one-half of the planned 500 units in the North Village development are already built and the remaining units are expected to be completed in the next 5 years. Figure 7 shows the number of single-family homes permitted from 2000 to the current date.

During the next 3 years, demand is estimated for 1,975 new home sales units (Table 1). The 250 homes currently under construction will likely satisfy a portion of that demand. In addition, a portion of the 3,675 other vacant units in the HMA may come back on the market and satisfy a portion of the demand. Table 4 shows the estimated demand for new market-rate sales housing by price range.

Figure 7. Single-Family Homes Permitted in the Vallejo-Fairfield HMA, 2000 to Current



Notes: Includes townhomes. Includes data through April 2013.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Vallejo-Fairfield HMA, May 1, 2013, to May 1, 2016

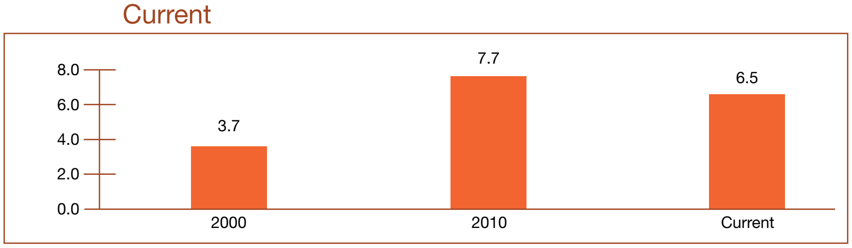
Price Range ($)		Units of Demand	Percent of Total
From	To		
175,000	199,999	100	5.0
200,000	249,999	100	5.0
250,000	299,999	300	15.0
300,000	349,999	400	20.0
350,000	399,999	490	25.0
400,000	449,999	300	15.0
450,000	499,999	100	5.0
500,000	and higher	200	10.0

Notes: Numbers may not add to totals because of rounding. The 250 homes currently under construction and a portion of the estimated 3,675 other vacant units in the submarket will likely satisfy some of the forecast demand.
Source: Estimates by analyst

Rental Market

Rental housing market conditions are currently slightly soft, with an overall estimated rental vacancy rate of 6.5 percent, down from 7.7 percent in April 2010 (Figure 8). Single-family homes make up a significant portion of the rental market and are maintaining the soft rental market conditions in the Vallejo-Fairfield HMA. Approximately 47 percent of the rental market was single-family homes (2007–11 American Community Survey 5-year estimates). The apartment market is tight. During the first quarter of 2013, the apartment vacancy rate was 2.3 percent, down from 3.1 percent during the first quarter of 2012 (Reis, Inc.).

Figure 8. Rental Vacancy Rates in the Vallejo-Fairfield HMA, 2000 to Current



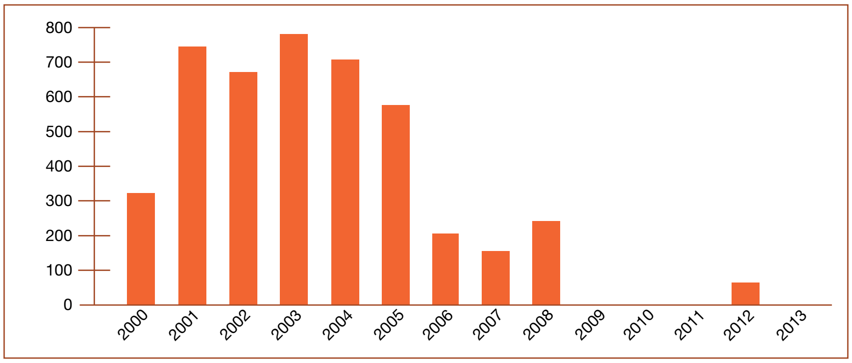
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

During the first quarter of 2013, the average asking rent increased 2 percent, to $1,150, from the same quarter a year ago.

Multifamily construction, as measured by the number of units permitted, increased to 60 units during the 12 months ending April 2013 (preliminary data). By comparison, no multifamily units were permitted from 2009 through April 2012. Multifamily construction peaked from 2001 through 2005, when an average of 700 units were permitted annually. As population growth declined, construction activity slowed from 2006 through 2008 to an average of 200 units annually and halted altogether beginning in 2009. Figure 9 shows the number of multifamily units permitted from 2000 to the current date. Heritage Commons, an age-restricted Low-Income Housing Tax Credit project, is currently under construction in the city of Dixon. Incomes are restricted at 30, 40, and 50 percent of Area Median Income. The 60-unit project is anticipated to open in July 2013.

During the 3-year forecast period, demand is expected for 210 new market-rate rental units (Table 1). The 60 units currently under construction will likely satisfy a portion of rental housing demand during the first year of the forecast period. Demand is expected to be greater during the third year of the forecast period because of an excess supply of vacant units that need to be absorbed during the first 2 years of the period. Table 5 shows the estimated demand for new market-rate rental housing by rent level and number of bedrooms.

Figure 9. Multifamily Units Permitted in the Vallejo-Fairfield HMA, 2000 to Current



Notes: Excludes townhomes. Includes data through April 2013.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Vallejo-Fairfield HMA, May 1, 2013, to May 1, 2016

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
1,075 to 1,274	50	1,275 to 1,474	80	1,725 or more	20
1,275 to 1,474	25	1,475 or more	20		
1,475 or more	10				
Total	80	Total	100	Total	20

Notes: Numbers may not add to totals because of rounding. The 60 units currently under construction will likely satisfy some of the estimated demand.
Source: Estimates by analyst

Data Profile

Table DP-1. Vallejo-Fairfield HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	185,215	188,959	197,000	0.2	1.8
Unemployment rate	4.6%	12.0%	9.6%		
Nonfarm payroll jobs	115,500	117,500	120,300	0.2	1.0
Total population	394,542	413,344	417,400	0.5	0.3
Total households	130,403	141,758	144,250	0.8	0.6
Owner households	84,994	89,648	89,700	0.5	0.0
Percent owner	65.2%	63.2%	62.2%		
Renter households	45,409	52,110	54,550	1.4	1.5
Percent renter	34.8%	36.8%	37.8%		
Total housing units	134,513	152,698	153,500	1.3	0.2
Owner vacancy rate	0.9%	2.5%	2.0%		
Rental vacancy rate	3.7%	7.7%	6.5%		
Median Family Income	$52,300	$79,400	$81,500	4.3	1.3

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through April 2013. Median Family Incomes are for 1999, 2009, and 2011.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 5/1/2013—Analyst's estimates
Forecast period: 5/1/2013–5/1/2016—Analyst's estimates

The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In the U.S. Department of Housing and Urban Development's (HUD's) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_VallejoFairfieldCA_13.pdf.

Contact Information

Elaine Ng, Economist
San Francisco HUD Regional Office
415–489–6777
elaine.ng@hud.gov

This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to www.huduser.org/publications/econdev/mkt_analysis.html.